

VZCZCXRO6345  
RR RUEHLMC  
DE RUEHUM #0400/01 1900831  
ZNR UUUUU ZZH  
R 090831Z JUL 07  
FM AMEMBASSY ULAANBAATAR  
TO RUEHC/SECSTATE WASHDC 1280  
INFO RUEHBJ/AMEMBASSY BEIJING 5653  
RUEHKO/AMEMBASSY TOKYO 2548  
RUEHUL/AMEMBASSY SEOUL 2826  
RUEHOT/AMEMBASSY OTTAWA 0455  
RUEHMO/AMEMBASSY MOSCOW 1814  
RUEHBY/AMEMBASSY CANBERRA 0141  
RUEHBK/AMEMBASSY BANGKOK 1484  
RUEHML/AMEMBASSY MANILA 1398  
RUEHLO/AMEMBASSY LONDON 0141  
RUCPODC/USDOC WASHDC 1309  
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC 0622  
RUEKJCS/SECDEF WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 03 ULAANBAATAR 000400

SIPDIS

SENSITIVE  
SIPDIS

STATE PASS EPA, EXIMBANK, OPIC, AND PEACE CORPS  
STATE FOR EAP/CM AND OES  
STATE PASS AID FOR ANE FOR D. WINSTON  
MANILA AND LONDON FOR USEDS TO ADB, EBRD

E.O. 12958: N/A

TAGS: [PGOV](#) [EMIN](#) [EINV](#) [MG](#)

SUBJECT: FOREIGN MINING COMPANY, ENVIRONMENTAL NGO REPS DISCUSS  
"RESPONSIBLE MINING"

SENSITIVE BUT UNCLASSIFIED - NOT FOR INTERNET DISTRIBUTION.

¶1. (U) SUMMARY: A June 22 Embassy-organized lunch brought together environmental and social NGO and mining company representatives active in Mongolia to discuss issues of transparency and stakeholder engagement. Participants agreed that responsible mining and transparency should be encouraged in Mongolia and that a lack of progress in the implementation and enforcement of environmental laws is one of the greatest challenges to overcome. END SUMMARY.

¶2. (U) On June 22, the DCM hosted lunch for representatives of environmental NGO's and mining companies active in Mongolia to discuss issues of mutual concern in an informal, non-confrontational environment. This was the second year that the Embassy has hosted such an event as part of efforts aimed at supporting continued dialogue between environmental and mining interests. Attendees included: Dr. Chimed-Ochir, Mongolian Representative of the World Wildlife Fund (WWF); Mr. Batbold, Chairman of the Union of Mongolia Environmental NGOs (UMENGO); Mr. Gansukh, Director of the Community Conservation and Consulting Network (COCONET); Ms. Sodontogos, Advisor to the President of Mongolian National Mining Association (MNMA) and Project Manager of Mine Info Consulting; Mr. Munkhbat, Legal Advisor to Ivanhoe Mines Mongolia; Mr. Lutaa, Mongolian Chief of Public Affairs at BHP Billiton; Mr. Bill Infante of The Asia Foundation; and Mr. Enktuvshin, representative of Phelps Dodge. Embassy attendees included the DCM, Econ/Coml Chief, EST FSN, and E/P's Summer Intern (notetaker).

¶3. (U) To focus the conversation, the topics of discussion were limited to two of the eight principles outlined in the "Draft Definition of Responsible Mining," signed at a multi-stakeholder meeting facilitated by the Asia Foundation in February, those being: (1) transparency and openness, and (2) ensuring multi-stakeholder engagement. The discussions demonstrated the existence of common ground between the mining and environmental concerns on these issues, and therefore room for continued cooperation.

Transparency: Everyone's Responsibility

-----

14. (U) A number of participants expressed the view that transparency should be achieved through capacity-building among the various actors involved in mining policy, including mining companies, local environmental activists, civic leaders, and public officials. Ms. Sodontogos noted that while mining companies are taking the issue of transparency seriously, other stakeholders--and particularly the GOM--should do more to ensure their own transparency. Mr. Infante cited the need for increased transparency within the GOM over how it will disperse profits from its own equity stakes in strategic mines.

15. (U) The DCM noted that it is crucial to all involved in the mining sector that the government operate transparently, but wondered how to encourage it as well as mining firms to be more transparent and to voluntarily share information as well. He suggested tools such as a Freedom of Information law or increased vigilance from the press. While Ms. Sodontogos agreed that the press could play an important role, she worried that journalists were too young, under-educated, sometimes corrupt and often biased. Mr. Lutaa summed up the feelings of many at the table, noting that responsible mining required responsible government and responsible media. Media need to support, he said, not dilute or distract the conversation.

#### Stakeholders Must Work With, Not Against, Each Other

-----

16. (U) In attempting to define who qualifies as a stakeholder, and who has an interest in ensuring the practice of responsible mining, the participants agreed that there are a wide variety of stakeholders, and that new ones are constantly being identified, with varying degrees of interest and activity at different stages of the process. These include, but are not limited to, the government,

ULAANBAATA 00000400 002 OF 003

the people of Mongolia, producers and licensors. The participants agreed that building broad stakeholder consensus on mining issues was essential. Ms. Sodontogos stated that responsible mining was a way to guarantee the social license that would allow mining to take place in Mongolia.

17. (U) Many at the table expressed frustration at the central government for preventing other concerned parties, such as local leaders, from greater involvement in mining policy issues. In spite of last year's revisions to the mining law to provide local authorities with a greater role in decision-making, participation of local authorities remains limited, in part because they often lack the information necessary to make knowledgeable, timely decisions. Dr. Chimed-Ochir opined this was because companies were hesitant to share proprietary information with local officials for fear of corruption. He cited the opinion of both mining company reps and local authorities that local residents were not informed enough to understand the complex questions that were attached to mining. Ms. Sodontogos said this lack of understanding had been exploited by nationalists with an anti-mining agenda while simultaneously enabling corruption to exist. She suggested a public awareness campaign. The DCM said that he hoped such organizations such as the World Bank or the European Bank for Reconstruction and Development could offer assistance in this area, as both have extensive experience and are not viewed as having vested interests.

18. (U) Mr. Munkhbat noted that Ivanhoe's relations with the local government were excellent, standing in stark contrast to their generally poor relationship with the central government. Ivanhoe had worked hard to cultivate good relations locally by building schools and medical clinics and donating money to rebuild a local monastery. Mr. Lutaa said that while larger companies had come to realize the importance of interacting with local communities, exercising social responsibility and developing best practices, smaller companies with fewer resources were at a disadvantage.

19. (U) While Mr. Infante expressed his view that radical environmental groups overlooked the positive benefits of mining, all participants appeared to agree that implementation of environmental laws was weak or nonexistent, which generates suspicion against the government and against mining companies. Mr. Munkhbat said he had

noticed more government efforts to crack down on violations. The DCM noted there was a tendency to unfairly tar compliant multinational firms adhering to Mongolian as well as their own tough environmental standards with the environmental degradation caused by artisanal and small scale mining operations (largely Mongolian-owned).

Which Way Forward?

¶10. (U) All sides appeared to concur on the need for responsible mining, but the question is how. Participants agreed that all stakeholders must work with, rather than against, each other and that each side must act responsibly. Mining companies must endeavor to prevent polluting local water resources and acting in ways that could be seen as reckless by local communities. Ms. Sodontogos stressed that mining companies were not against the environment, but could come off as such as they chase after profits.

¶11. (U) Mr. Infante believed that citizen groups needed to plan better, working with elected officials to make clear their expectations of mining companies. He noted, however, that the expense of such planning made it difficult to achieve. Ms. Sodontogos offered the Center for Responsible Mining as a good example of an NGO working to educate the general public on mining issues. Mr. Infante thought the World Bank could play a role, but that any mechanism ultimately created to bring stakeholders together must represent the broad spectrum of stakeholder interests.

¶12. (SBU) COMMENT: Last year's luncheon put many of the same players together but the atmosphere then was one of considerable wariness and distrust. Efforts over the year to put stakeholders

ULAANBAATA 00000400 003 OF 003

together have generally helped reduce anxieties and tensions, though there are still some ruffled feathers in the mining community (Boroo Gold declined to participate this year, for example, over a tiff with TAF). "Mineral populism" has subsided somewhat over the past year and there is a growing but tentative and uneven popular sentiment that after years of stymied or stalled negotiations and reams of print about Mongolia's rich natural resources, it's time to "get on with it" and develop the resources and gain benefits from them. Finding common ground among potential adversaries and building trust is pivotal to this process; more so now that Peabody Energy is actively considering investing and has gained USDOC/USG-approved advocacy. END COMMENT.

MINTON